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Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

**APR 22 1994**

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF SECRETARY

In the Matter of:

New Broadband Personal  
Communications Services

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GEN Docket No. 90-314

**SUPPLEMENTAL COMMENTS OF  
McCAW CELLULAR COMMUNICATIONS, INC.**

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## **SUMMARY: McCaw's VISION OF 2 GHz BROADBAND PERSONAL COMMUNICATIONS SERVICES**

On April 11 and 12, 1994, the Commission received testimony from a broad range of the Personal Communications Services ("PCS") industry regarding policy implications of the pending petitions for reconsideration in the 2 GHz PCS proceeding. These hearings highlighted a number of important areas of consensus within the industry. Implementation of rule modifications to effectuate these changes will provide significant long-term benefits to the public and, due to the limited scope of the changes, will not adversely impact or delay the FCC's schedule for deployment of PCS. In particular, the testimony demonstrates that:

- ▶ Twenty megahertz PCS spectrum allocations are clearly sufficient for PCS offerings once band clearing is accomplished.
- ▶ Uniform 20 MHz Basic Trading Area ("BTA") allocations eliminate competitive disparities impairing PCS licensees' access to capital and disadvantaging Designated Entities.
- ▶ Strengthening microwave transition provisions to speed relocation and allowing spectrum aggregation in individual markets, if actual sharing problems do arise, would eliminate any need to establish excessive PCS spectrum allocations to solve short-term congestion problems in a few markets.
- ▶ Open, robust, and flexible competition in wireless services best serves the public interest.

Based upon these conclusions drawn from the testimony provided at the hearing, McCaw provides below a number of specific recommendations for Commission action on reconsideration of the *Second Report and Order* in the PCS proceeding. Because McCaw will be an active bidder for spectrum at 2 GHz and intends to compete in the wireless marketplace over the long haul, it supports policies that emphasize long term competition and a level playing field, while accommodating the need for short term viability and rapid roll-out. McCaw believes that action consistent with its suggestions will provide the most robustly competitive wireless communications marketplace now and for the next decade and beyond.

### **SIX UNIFORM LICENSED 20 MHz PCS SPECTRUM ALLOCATIONS**

The Commission should allocate six uniform 20 MHz blocks of paired spectrum for licensed PCS operation in the 2 GHz band.

- ▶ 20 MHz allocations are technically sufficient for PCS and can offer 8 times the capacity of existing cellular systems. Indeed, the sufficiency of 20 MHz allocations is not just theory, and has been established by carriers like McCaw, which operates a PCS system in Hong Kong with only 10.8 MHz of spectrum, and Nextel, which has

created a high capacity ESMR system using far less than 20 MHz of spectrum. Thus, larger allocations only result in usage inefficiencies.

- ▶ Uniform 20 MHz BTA allocations avoid creating less competitive, second-class PCS licensees and promote long term participation by Designated Entities.
- ▶ In those markets where significant numbers of microwave incumbents may be present, the FCC should focus on allowing aggregation of spectrum blocks and facilitating the fastest possible relocation of incumbent facilities rather than awarding excessive spectrum blocks based upon perceived short term economic inefficiencies in a few markets.

### ***OPEN AND EQUAL ENTRY FOR ALL QUALIFIED PARTICIPANTS***

The Commission should permit all qualified entities to participate on an equal basis in the provision of new PCS.

- ▶ Cellular carriers have expertise and resources that can aid in the rapid deployment of PCS infrastructure and increase the diversity of services available to the public.
- ▶ With six new blocks of licensed spectrum available through competitive bidding, all PCS licensees will have substantial incentives to rapidly roll-out PCS systems. And, even with the spectrum cap proposed, there will be as many as 7 providers competing with cellular.
- ▶ No industry sector other than cellular has been singled out for entry barriers; ESMRs, LECs, broadcasters, utilities, and cable operators are all free to enter PCS markets.
- ▶ Based upon cellular's relatively low penetration rate, the huge projected PCS penetration rate, and customer mobility between wireless service providers, cellular carriers do not have a "headstart" in providing PCS that would justify exclusionary policies.

### ***BROAD LICENSEE FLEXIBILITY***

The Commission has soundly adopted a policy of technical and operational flexibility for PCS providers. These policies should be extended to allow PCS licensees to subdivide and aggregate spectrum authorizations by frequency or by area.

- ▶ Free transferability of partial spectrum allocations will lead to the more rapid build-out of PCS and enhance the ability of operators to design and offer a range of services tailored to meet unique needs.
- ▶ This approach to PCS licensing will facilitate diverse entry into wireless communications markets.

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**SUPPLEMENTAL COMMENTS OF  
McCAW CELLULAR COMMUNICATIONS, INC.**

McCaw Cellular Communications, Inc. ("McCaw"), by its attorneys, herewith submits its supplemental comments in response to the Commission's April 4, 1994, news release on new broadband Personal Communications Services ("PCS").<sup>1</sup> As discussed below, the recent testimony provided to the Commission on PCS issues demonstrates that important new consensus positions are forming within the wireless industry that have a significant impact on critical PCS allocation and licensing policies. In particular, it is increasingly evident that premising excessive allocations on indefinite spectrum sharing in a few markets where significant numbers of microwave users exist mortgages important, long term spectrum management goals against marginal, short term gains. It is also clear that competitive policies dictate maximizing competition in the PCS band by allocating spectrum for as many licensed providers as feasible and freeing cellular carriers to compete on equal basis for new 2 GHz spectrum opportunities. These basic points, and McCaw's specific recommendations for the Commission's actions on reconsideration, are discussed in further detail below. Actions consistent with these recommendations will ensure, for both the long

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<sup>1</sup> FCC To Host Panel Discussions on PCS Issues, *FCC News Release* (Apr. 4, 1994).

term and in the short term, a robustly competitive market for wireless services and the rapid availability of the broadest range of wireless services for the public.

**I. UNIFORM 20 MHz ALLOCATIONS WILL PROVIDE THE OPTIMAL MARKET STRUCTURE FOR BROADBAND PCS**

**A. 20 MHz ALLOCATIONS ARE TECHNICALLY EFFICIENT**

As a technical matter, 20 MHz allocations provide appropriately-sized spectrum blocks allowing broadband PCS licensees the ability to offer a wide range of potential new services. Such license allocations also would be consistent with the current capacity available to cellular and Enhanced Specialized Mobile Radio ("ESMR") licensees and the recommendations of the FCC's Office of Plans and Policy.

- ▶ 20 MHz spectrum allocations are clearly sufficient to accommodate PCS licensees' needs and foreseeable growth in the vast majority of markets because of the dramatic capacity enhancements of digital technology.
  - For example, the efficacy of moderate spectrum allocations has been empirically demonstrated by Nextel, an enhanced SMR provider of wireless voice and data services, which has used digital technology to convert modest spectrum holdings into a system capacities that match or exceed cellular.
  - Using currently available time division multiple access ("TDMA") techniques, 20 MHz of spectrum is expected to be able to support over 3.3 million subscribers in Los Angeles.
  - Advanced TDMA and code division multiple access ("CDMA") capacity enhancements and other existing digital technologies will yield many times greater capacity. Qualcomm noted that use of its existing technology in a 20 MHz PCS

allocation "could provide more than 8 times the capacity of a current cellular system."<sup>2</sup>

Thus, a *single* 20 MHz PCS allocation can support service to at least one quarter of the population in the Nation's largest market.

- ▶ As a long time participant in the wireless industry with extensive mobile communications expertise, McCaw would bid aggressively for 20 MHz licenses. In fact, McCaw's experience in Hong Kong, where it is a partner in SmarTone, a cellular service provider, shows conclusively that 20 MHz allocations are more than generous, even in a market where numerous wireless service options are available. SmarTone was the *seventh* provider to enter the wireless voice market and, using digital technology in only 10.8 MHz of spectrum, has accumulated over 40,000 subscribers in the space of only one year.
- ▶ 20 MHz allocations are also consistent with the recommendations in a recent report by the FCC's Office of Plans and Policy, which suggests "a large amount of spectrum is not necessary to deliver PCS" and "20 MHz may be a sufficient spectrum allocation to implement low-cost PCS systems."<sup>3</sup> Based on this report, Hong Kong recently determined that larger allocations were excessively "generous" and allocated six 20 MHz licenses for PCS systems in that country.<sup>4</sup>
- ▶ To the extent that even small, temporary microwave congestion problems could arise in a few markets, use of open sequential bidding and spectrum aggregation would allow spectrum consolidation to alleviate problems. This approach ensures that the peculiar characteristics of a handful of markets do not distort spectrum allocation policies for all time and for the whole country.

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<sup>2</sup> Statement of Dr. Irwin M. Jacobs, Chairman and Chief Executive Officer, Qualcomm Incorporated at 2 (Apr. 11, 1994).

<sup>3</sup> David P. Reed, *Putting it All Together: The Cost Structure of Personal Communications Services*, Office of Plans and Policy at v, November 10, 1992 ["OPP Paper"].

<sup>4</sup> The Regulation of Mobile Telecommunications Services -- The Way Forward, Office of the Telecommunications Authority, Hong Kong at 23 (Feb. 1994).

**B. 20 MHz ALLOCATIONS WILL CREATE A ROBUSTLY COMPETITIVE PCS MARKET**

The optimum way for the Commission to create the most robustly competitive wireless communications market is to allocate six 20 MHz BTA spectrum blocks for licensed PCS, thus providing uniformity in both spectrum and license regions. This will facilitate competition not only among 2 GHz PCS licensees, but also with existing cellular and ESMR licensees.

- ▶ With 20 MHz BTA spectrum blocks, the Commission can assign six new uniform spectrum allocations for licensed PCS providers and provide greater opportunities for viable competition in the long run. As noted by George Murray during the hearing, uniform sized 20 MHz BTA allocations will also avoid "the emergence of two predominant PCS providers with little if any meaningful participation by Designated Entities,"<sup>5</sup> promoting broader overall competition among broadband PCS providers.<sup>6</sup> In addition, uniform sized spectrum blocks will facilitate efficient competitive bidding by creating fungible classes of allocations that can be auctioned as blocks.
- ▶ 20 MHz spectrum blocks will promote competition with existing cellular and ESMR carriers, creating a broad-based wireless services marketplace. In contrast, creating larger 2 GHz allocations will widen capacity disparities already favoring 2 GHz licensees because cellular licensees must continue to serve a substantial analog customer base. All other things being equal, a cellular licensee would have to transition 70 percent of its customer base to digital technology to have similar channel capacity as a 20 MHz all-digital PCS system.
- ▶ McCaw recognizes that, during the testimony, a number of financial analysts indicated that they would not provide funding for 20 MHz allocations. These statements, however, were made in the context of a discussion relating to the existing allocation scheme, which includes 30 MHz MTA allocations. These statements in fact support McCaw's basic thesis that retaining excessive spectrum allocations for *some* participants will doom all other entrants to a marginal existence, and therefore uniformity in allocations better serves the competitive ideal.

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<sup>5</sup> Statement of George E. Murray to the Personal Communications Services Task Force at 3 (Apr. 12, 1994).

<sup>6</sup> See also New Personal Communications Services, 8 FCC Rcd 7700, 7867 (1993) (dissenting statement of Commissioner Andrew C. Barrett).

- ▶ Based on McCaw's experiences in having obtained over \$7 billion in debt financing for wireless systems, McCaw believes financial markets will make capital available for 20 MHz allocations. Indeed, McCaw's SmarTone system in Hong Kong -- where it is the seventh market entrant with only 10.8 MHz of spectrum -- is largely financed by the same types of capital markets that here have argued for large allocations and limited competition.

### **C. 20 MHz ALLOCATIONS WILL ALLOW IMMEDIATE PCS BUILD-OUT**

Previously, certain commenters argued that large PCS spectrum allocations were justified as necessary to permit operations while accommodating existing 2 GHz Operational Fixed Service ("OFS") microwave users, primarily public safety users. It is evident now, however, that congestion is only an issue in a few markets and that changes to the bandclearing rules ensure that spectrum sharing is only a transitional measure. Consequently, OFS microwave incumbents should pose no threat to the rapid roll-out of PCS.

- ▶ In the recent testimony on PCS, there was broad concurrence that, in the few markets where significant numbers of microwave links exist, spectrum sharing necessarily is only a temporary measure and that the large majority of all existing OFS incumbents will be rapidly relocated.<sup>7</sup> Thus, justifying large spectrum grants on the basis of sharing provides inefficient incentives to postpone inevitable relocations.
- ▶ With recent changes in the grandfathering rights of Public Safety OFS users, there are no "exempt" incumbents who cannot be relocated within a relatively short time frame.<sup>8</sup> Furthermore, the FCC's Emerging Technologies ("ET") order provides substantial incentives for the operators of all links to negotiate voluntary relocation terms.
- ▶ As CTIA has shown, the previous studies purporting to demonstrate the preclusive effect of microwave incumbents on PCS deployment were based on flawed assumptions

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<sup>7</sup> AirTouch Communications Presentation to the FCC PCS Task Force at 5 (Apr. 12, 1994); Presentation of Comsearch to the FCC PCS Task Force at 5-6 (Apr. 12, 1994); Statement of Dr. Charles L. Jackson, Strategic Policy Research, Before the Federal Communications Commission Personal Communications Services Task Force Meeting at 6-7 (Apr. 12, 1994).

<sup>8</sup> Emerging Technologies, FCC 94-60 at ¶34 (rel. Mar. 31, 1994).

in any event. A more recent study by Comsearch on the Detroit market, in fact, revealed that, given more realistic assumptions regarding existing technology, "the amount of microwave interference virtually disappeared" and "by moving *only three* microwave paths, . . . the exclusion areas totally disappear."<sup>9</sup>

- ▶ The costs of relocating microwave users will be factored into an applicant's bidding for PCS spectrum. The FCC estimated costs of \$200,000 to relocate a microwave link and over \$700 per subscriber (assuming a remarkable 5 percent penetration) to deploy PCS infrastructure.<sup>10</sup> Based on these figures and the average number of links in an MTA, for a license area like the Baltimore/Washington MTA, relocation costs are likely to be less than three percent of the total deployment costs of a PCS system.

## **II. OPEN ENTRIES POLICIES WILL BEST PROMOTE COMPETITION IN THE WIRELESS MARKET**

### ***A. CELLULAR CARRIERS HAVE MUCH TO CONTRIBUTE TO PCS***

McCaw believes strongly that all qualified applicants should be permitted to enter the 2 GHz PCS marketplace, including existing cellular and ESMR operators. With six new entry opportunities in most markets, fully open entry will foster the broadest, most diverse range of competitors.

- ▶ Cellular carriers have literally transformed wireless telecommunications from primitive pockets of expensive mobile telephone service to low cost, seamless cellular services blanketing the country.
- ▶ In the process of bringing services to the public, cellular carriers have acquired the expertise and experience essential to meeting tomorrow's consumer needs.
- ▶ Cellular carriers have aggressively sought to introduce new and innovative PCS offerings to the public as evident from the enormous range of experiments and proposals already before the Commission.

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<sup>9</sup> CTIA, Justifying 40 MHz PCS Allocations: 'Study' Was Based on Invalid Assumptions at 1, 4, GEN Docket No. 90-314 (Aug. 25, 1993).

<sup>10</sup> *OPP Paper* at v.

- ▶ Cellular carrier participation in the next generation of wireless services can only contribute to technological advances and a panoply of new services benefitting the public.

#### **B. CELLULAR CARRIER ENTRY WILL PROMOTE COMPETITION**

Allowing cellular operator entry into PCS on the same terms and conditions as other carriers will promote competition. Indeed, with the cellular industry's existing relatively low penetration rate, the huge estimated near term PCS penetration rates, and empirical evidence on customer "churn" in wireless services, cellular carriers have a negligible headstart, if any, and will need to compete vigorously in the wireless market. And, as discussed below, cellular carriers will be intense competitors:

- ▶ Restricting entry under a competitive bidding regime makes little economic sense. When entrants are forced to pay the true value of spectrum, no licensee has the incentive (or financial ability) to allow spectrum to lie fallow. Any entity, whether a cellular carrier or a new entrant, will have incentives to rapidly deploy competitive new services to the public.
- ▶ Restricting only cellular carriers is also irrational in view of the other entities the Commission is encouraging to enter PCS. Local exchange companies ("LECs"), cable television companies, and long distance companies all have infrastructure elements that can be used to their advantage in deploying PCS. McCaw sees little justification for singling out cellular carriers for exclusion from this important marketplace.
- ▶ Furthermore, in view of the strength of many non-cellular entrants, allowing cellular carriers to compete will strengthen the PCS market. For example, the substantial investments in Nextel by MCI, Comcast, and Motorola, as well as the investment in MCI by British Telecom, have created a formidable competitor with capital, extensive infrastructure, and substantial wireless experience to compete on an unrestricted basis in PCS. Indeed, upon consummation of the Motorola transactions, Nextel has stated its ESMR system will cover 180 million POPs, making it the largest mobile carrier in the United States by a wide margin.
- ▶ Notwithstanding the benefits of cellular entry into PCS, a number of financial analysts stated their belief that cellular had a "headstart" and therefore should not be allowed to

participate in new spectrum opportunities. This view, however, is insupportable in light of the current penetration levels of cellular and the immense predicted market for wireless services generally. Cellular operators currently serve only 6 percent of the country's population, a miniscule figure compared to cable television's penetration rate of 70 percent and local exchange companies' penetration rates in excess of 90 percent. Examining the larger picture, GTE, for example, predicted wireless household penetration of 70 percent and overall market penetration of 30 percent by the year 2005.<sup>11</sup> The Yankee Group, for its part, predicts that there will be a total PCS market of 25 million by 1998, and that cellular's share of this market will only be 4.8 million subscribers -- less than 20 percent.<sup>12</sup> PCIA predicts that by 2003, the wireless market will have increased almost five-fold in subscribers, and that cellular and new entrants will have, respectively, 17.4 percent and 10.4 percent market penetration. Finally, MTA/EMCI predicts 87 million wireless voice subscribers by 2004, with new PCS entrants obtaining 32 percent of the overall market.<sup>13</sup> Given the vast size of the overall market, cellular's current penetration does not constitute a "headstart" justifying exclusionary policies.

- Furthermore, statistical evidence from the cellular industry has shown relatively low customer allegiance, with current "churn" rates of 20 percent. Based on this evidence and the minimal barriers to switching wireless carriers, any perceived "headstart" will have minimal, if any, competitive impact. Indeed, McCaw's experience with SmarTone in Hong Kong has shown that even late market entrants (in this case, the seventh authorized system) can effectively compete.

**C. EXCESSIVE CONCENTRATION OF SPECTRUM CAN BE AVOIDED WITH A SPECTRUM CAP**

McCaw recognizes that diversity could be stymied if available spectrum becomes excessively concentrated. Accordingly, McCaw suggests adopting a simple spectrum cap that would limit any PCS provider to no more than 45 MHz of 2 GHz PCS, cellular, and ESMR spectrum in a geographic area. Under this cap, the following scenarios would be authorized:

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<sup>11</sup> Prepared Remarks of Dr. C. J. Waylan at 2, GTE Personal Communications Services (Apr. 11, 1994).

<sup>12</sup> Mark Lowenstein, Demand for Personal Communications Services Presentation to the Federal Communications Commission Task Force by the Yankee Group at 4 (Apr. 11, 1994).

<sup>13</sup> Presentation of Thomas Stroup, Personal Communications Industry Association at 6 (Apr. 12, 1994).

- ▶ New PCS entrants would be permitted to assemble up to 45 MHz, including at least two 20 MHz building blocks in a market.
- ▶ Existing cellular carriers, which serve a primarily analog customer base, and ESMR carriers would be allowed to acquire additional spectrum up to the 45 MHz cap even if the additional spectrum overlapped a cellular or ESMR system under their control.<sup>14</sup> The practical and competitive obligation of cellular carriers to continue to serve a large number of analog-based subscribers impedes their ability to implement effective digital technologies. Access to a single 20 MHz PCS license would enable cellular operators, who already have demonstrated their interest through PCS experiments and cellular innovations, to participate effectively in the growing wireless marketplace.

**D. THE COMMISSION SHOULD ALLOW DIVESTITURE TO MEET OWNERSHIP LIMITS**

McCaw believes that the Commission should facilitate the ability of cellular and other carriers to "divest down" to meet ownership limits. In practice, McCaw believes a policy of not evaluating cross-ownership limits until after lotteries are conducted would serve the public interest. This would allow, for example, a carrier to bid for BTA properties even if such an acquisition would violate the spectrum cap, but the carrier could not begin operations under a PCS authorization until after it has divested itself of any license interests in violation of the cap. Such a policy would increase the pool of potential bidders, thus better ensuring recovery of the true value of the spectrum being auctioned, and alleviate the sometimes harsh results of strict exclusionary rules.

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<sup>14</sup> As noted in its comments on the petitions for reconsideration filed in this docket, clarification of the PCS rules to permit aggregation and subdivision would allow cellular carriers to acquire up to the full amount of the spectrum cap in-region, thus eliminating the illogical 10 MHz restriction imposed in the *Second Report and Order* and allowing cellular carriers to hold, in the aggregate, as much spectrum as their wireless PCS counterparts. See Comments of McCaw Cellular Communications, Inc. at 4, GEN Docket No. 90-314 (Jan. 3, 1994).

### **III. THE COMMISSION SHOULD ADOPT POLICIES PERMITTING FLEXIBLE SUBDIVISION AND AGGREGATION OF SPECTRUM**

#### **A. A PROPOSAL FOR FLEXIBLE SPECTRUM LICENSING POLICIES**

Given the size of even the BTA allocations, McCaw believes flexible spectrum and license area aggregation and subdivision policies are critical to the success of PCS. By allowing licensees to freely combine and divide PCS licenses, the Commission will allow the market, not arbitrary license regions, to control the destiny of PCS.

- ▶ McCaw's plan would allow PCS licenses to be freely aggregated or subdivided to meet licensee needs. Under this regime, a licensee offering a service that requires less spectrum than the full 20 MHz allocation could contract to transfer part of the spectrum allotted to another participant in the market with greater capacity or coverage requirements, subject only to the overall spectrum cap. Similarly, a licensee could transfer a region that the licensee did not believe was a priority area to another entrant who wished to deploy PCS in that area. This scheme allows the market, not arbitrary allocation lines, to dictate the availability and utility of PCS systems.
- ▶ Since regulatory prediction can never be wholly accurate, liberal aggregation and subdivision policies allow the market to correct for any regulations or policies that do not reflect the realities of wireless service. This will ultimately lead to the optimally competitive market.
- ▶ Permitting license aggregation and subdivision will also help to rationalize differences between the disparate licensing schemes used in wireless services today. This permits simpler integration of existing systems with new 2 GHz systems. In addition, by allowing subdivision, existing carriers, such as cellular and ESMR licenses, have more flexibility to modify new license regions to avoid harsh exclusionary policies.
- ▶ Furthermore, allowing transferability of portions of license regions and spectrum also focuses licensee and spectrum resources and efforts. For many of the FCC's PCS goals, the ability to obtain a smaller license area is a tangible improvement over licensing vast regions.

**B. FLEXIBLE SPECTRUM LICENSING POLICIES PROMOTE DIVERSITY**

Importantly, allowing flexible spectrum licensing policies will increase the number of market entry opportunities for PCS. For example, licensing by MTAs, which McCaw disfavors in any event, provides only 49 entry opportunities per spectrum block. This provides only limited entrees for small businesses. By allowing licensees to subdivide license regions, a greater number of market entry opportunities will exist, advancing key public interest goals:

- ▶ A greater number of entry opportunities will stimulate greater competition. More competition, of course, will bring lower service prices, better quality service, more innovation, and encourage services for niche markets.
- ▶ Subdivided markets reduce financial barriers to entry, and thus allow more diverse participation. While acquiring spectrum rights for an entire MTA or BTA may be unrealistic for many operators, subdivision will lower entry barriers posed by the cost of acquiring and serving a large market, encouraging entry by diverse companies, including small businesses and minority and women-owned companies.

**C. FLEXIBLE SPECTRUM LICENSING POLICIES ENCOURAGE UBIQUITOUS SERVICE**

Allowing subdivision will help to foster ubiquitous service to rural areas and less populated regions. In addition to simply providing a greater number of entrants building out systems overall, subdivision encourages ubiquitous services because PCS operators who negotiate to obtain subdivided regions outside of the major metropolitan areas in an MTA or BTA will be far more attuned to the specific requirements of their customers than the BTA or MTA operator.

**D. FLEXIBLE SPECTRUM LICENSING POLICIES FACILITATE RAPID DEPLOYMENT AND STIMULATE INNOVATION**

Allowing subdivision also will speed deployment and stimulate innovation in wireless services. By defining coverage responsibilities more narrowly and licensing more PCS entrants overall, the Commission will speed the roll-out of PCS. In addition, by allowing potential entrants to negotiate to obtain exactly the amount of spectrum needed for a new offering, liberal aggregation and subdivision policies will encourage service innovation. By concentrating licensees' responsibilities more narrowly, such policies will hold forth the promise of unique services specifically tailored to meet the needs of customers in local areas. Licensees can and should be able to freely experiment with new offerings, thus stimulating innovation in the wireless communications market.

**IV. THE ADVENT OF PCS WILL NOT BE ADVERSELY AFFECTED BY THE ADOPTION OF LIMITED CHANGES ON RECONSIDERATION**

Some testifying participants voiced concern about delays in the licensing of PCS. The course of action suggested by McCaw poses no greater possibility of delay than any other approach that might be pursued in these reconsideration proceedings. To the extent the Commission takes *any* action on reconsideration -- and a number of critical issues have been presented in the pending reconsideration petitions -- that action will be subject to further reconsideration requests.<sup>15</sup>

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<sup>15</sup> See 47 C.F.R. S 1.429(i) (1992).

McCaw currently plans to be an active participant in the bidding for PCS spectrum. It accordingly wishes to minimize delay in order to begin to implement its build-out plans as quickly as possible. At the same time, McCaw does not believe that the development of sound PCS policies should be sacrificed merely to permit the bidding for licenses to proceed a few months earlier.

## **V. CONCLUSION**

The recent testimony before the Commission on PCS issues has demonstrated that the industry has finally cast aside outdated and ill-conceived precepts regarding the deployment of new PCS services. The testimony shows that large licensed spectrum blocks cannot be justified as anything other than a stop gap measure as incumbent microwave users are relocated. This, in turn, means that far more new entrants can be authorized in the PCS marketplace, all competing on an equal footing, with flexible, open entry policies that promote the competitive ideal. Accordingly, McCaw urges the Commission on reconsideration to: (1) allocate six uniform licensed PCS spectrum blocks of 20 MHz in BTA regions; (2) allow cellular carriers to compete, on an equal basis, with new entrants for 2 GHz spectrum opportunities; and

(3) consider flexible licensing policies that would facilitate subdivision and aggregation over both spectrum and area. In this manner, the Commission will ensure the fullest development of a robustly competitive PCS marketplace for now and the future.

Respectfully submitted,

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